

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 NEA-09 IO-10 ISO-00 AGR-05 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00

OMB-01 AF-06 ARA-06 OIC-02 /130 W
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P 061720Z MAY 75

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 2673

USEC BRUSSELS PRIORITY 4513

INFO AMEMBASSY BUCHAREST PRIORITY

AMEMBASSY CAIRO

AMEMBASSY HONG KONG

AMEMBASSY LONDON

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LIMITED OFFICIAL USE SECTION 1 OF 2 GENEVA 3260

BUCHAREST PASS MICHAEL SMITH - TEXTILE NEGOTIATING TEAM

EO: 11652: N/A

TAGS: GATT ETRD

SUBJ: TEXTILES SURVEILLANCE BODY - APRIL 29 - MAY 2 SESSION

1. SUMMARY. IN FOUR-DAY SESSION CONCLUDING EVENING MAY 2, TSB
UNDERTOOK LENGTHY DISCUSSIONS PRINCIPLES AND OBLIGATIONS UNDER MFA
ART. 2, PARA 2; RECEIVED AND CONSULTED WITH SPANISH DELEGATION ON
GOS CLAIM OF BOP EXEMPTION FOR MAINTENANCE UNILATERAL TEXTILE IM-
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PORT RESTRICTIONS; REVIEWED REPORTS ON STATUS RESTRICTIVE MEASURES

(REPORTS SUBMITTED UNDER ART 2 PARA 4); CONCURRED AS PER ART 2, PARA 2 IN EXTENSION TIME PERIOD FOR COMPLETION BILATERAL NEGOTIATIONS "IN PROGRESS"; TRANSMITTED CERTAIN ART 2 PARA 4 NOTIFICATIONS TO TC -- EC NOTIFICATION WAS HELD UP PENDING EC RESPONSE NUMBER TSB QUESTIONS TO BE GIVEN NEXT TSB SESSION; ROUTINELY REVIEWED SEVERAL ART 3 AND ART 4 NOTIFICATIONS FROM CANADA AND SWEDEN; REVIEWED AND APPROVED INDICATIVE CHECK LIST OF ELEMENTS TO BE CONSIDERED BY TSB IN REVIEWING ART 3 ACTIONS -- LIST HAD EMERGED FROM PREVIOUS TSB DISCUSSIONS PERTINENCY VARIOUS FACTORS IN JUSTIFICATION ART 3 ACTIONS; AND, SCHEDULED NEXT FORMAL SESSIONS FOR JUNE 4-6, JUNE 16-18 AND JULY 15-17, RECOGNIZING POSSIBLE NEED FOR SPECIAL SESSIONS IN THIS PERIOD.

2. AS WAS ANTICIPATED FOLLOWING DEVELOPMENTS APRIL TC SESSION, TSB WAS DEVOTED ALMOST ENTIRELY TO DISCUSSIONS ONE ASPECT OR ANOTHER OF ART 2 PARA 2 AND 4. WITH SINGLE EXCEPTION SPANISH CASE, ALL ISSUES OF "ART 2 PRINCIPLES" AROSE IN CONNECTION EC PERFORMANCE (OR LACK THEREOF) IN MEETING ITS ART 2 PARA 2 OBLIGATIONS OR EC'S INTERPRETATION OF ITS OBLIGATIONS UNDER THAT ARTICLE. AT LAST TSB SESSION (BEFORE TC MEETING), EC REP, IN LINE WITH EC'S ART 2 PARA 4 NOTIFICATION, HAD ARGUED INTER ALIA THAT: A. TSB CONCURRENCE IN EXTENSION OF TIME PROVIDED IN ART 2 PARA 2(II) NEED NOT BE SOUGHT AS IT CAME AS "MATTER OF COURSE"; THAT WHOLE ONE-YEAR EXTENSION WAS AVAILABLE AUTOMATICALLY; THAT NO LIBERALIZATION OF UNILATERAL RESTRAINTS IMPOSED ON THE SEVENTEEN COUNTRIES WITH WHICH IT PROPOSED TO NEGOTIATE BILATERAL AGREEMENTS WAS REQUIRED UNTIL AFTER SUCH NEGOTIATIONS WERE COMPLETED; AND THAT, AFTER NEGOTIATION OF SELECTIVE BILATERAL AGREEMENTS, REMAINING RESTRICTIONS WOULD BE SUBJECT TO PHASEOUT PROGRAM (WHICH EC NOT NOW PREPARED TO DESCRIBE).

3. WHILE INITIAL TSB DISCUSSION "ART 2 PRINCIPLES" HAD BEEN PLANNED AS EXERCISE TO PRODUCE (WITHOUT SPECIFIC REFERENCE ANY COUNTRY) GENERAL GUIDELINES FOR ASSESSING ALL ART 2 PARA 4 NOTIFICATIONS, THIS QUICKLY EVOLVED INTO AN ALL-OUT ATTACK ON IC'S ART 2 PHILOSOPHY. WITH EC REP ISOLATED, TSB FOUND CONSENSUS: A. THAT IMPORTING COUNTRY PROPOSING NEGOTIATIONS IN TIME EXTENSION PERIOD WOULD HAVE TO HAVE AGREEMENT EXPORTING COUNTRY CONCERNED IN ASKING FOR SUCH EXTENSION; B. THAT, FOLLOWING SUCH AGREEMENT, TSB CONCURRENCE HAD TO BE SOUGHT AND OBTAINED; C. THAT TSB WOULD CONCUR IN SUCH REQUESTS FOR EXTENSION BUT FOR INDEFINITE PERIOD NOT TO EXCEED ONE LIMITED OFFICIAL USE

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YEAR FROM MARCH 31, 1975; D. THAT, WITHIN THIS PERIOD, TSB WOULD REQUEST QUARTERLY "PROGRESS REPORTS" FROM COUNTRIES CONCERNED; AND, E. DEFERRED FURTHER DISCUSSIONS AS TO OBLIGATIONS OF INTERIM LIBERALIZATION IN ONE YEAR GRACE PERIOD. THIS MAY BE THORNY ISSUE AT NEXT SESSION, WITH EC OBVIOUSLY WISHING WITHOLD LIBERALIZATION AS BILATERAL NEGOTIATING LEVERAGE AND EXPORTING COUNTRIES THOROUGHLY UNHAPPY WITH PROSPECT OF OVER HALF LIFE OF MFA (27 MONTHS) PASSING WITHOUT RECEIPT FROM EC ANY BENEFITS FOR WHICH THEY PARTICI-

PATING IN MFA.

4. IT CLEAR EC REP HAD ANTICIPATED TSB REACTION FOLLOWING HEAVY CRITICISM IN TC MEETING. WHEN EC NOTIFICATION CAME UNDER CONSIDERATION, EC REP MADE LOW-KEY CONCILIATORY PRESENTATION, ACCEPTING TSB VIEWS (PARA 3 ABOVE), DETAILED AT LENGTH EC PLANS FOR NEGOTIATIONS, AGREED SUBMIT PROGRESS REPORT TO TSB JUNE 30, EXPRESSED BELIEF THAT ALL NEGOTIATIONS WOULD BE COMPLETED "WELL BEFORE END OF YEAR," AND CONCLUDED WITH THINLY VEILED ALLUSIONS TO DIFFICULTIES AND TIME INVOLVED IN GETTING MEMBER STATES TOGETHER ON ANYTHING -- ADDING THAT THIS PROBLEM WAS NOW SOLVED AS FAR AS TEXTILE NEGOTIATING MANDATES WERE CONCERNED. COMMISSION WOULD PROCEED WITH NEGOTIATIONS AT FASTEST PACE POSSIBLE. U.S. REP (AND OTHER TSB REPS) ARE OF OPINION THAT THIS IS FIRST TIME EC HAS EXPOSED ALL THE FACTS TO TSB. U.S. REP FURTHER BELIEVES THAT, FOR TIME BEING, EXTERNAL PRESSURE ON EC IS ADEQUATE AND THAT FURTHER PRESSURE IMMEDIATELY FOLLOWING EC'S FORTHCOMING STATEMENT TO TSB WOULD NOT BE APPRECIATED ANYWHERE IN THE COMMUNITY.

5. IN CONNECTION FOREGOING PARA, US REP UNDERSTANDS DEPT CONSIDERING DEMARCHE IN CAPITALS EC MEMBER STATES RE EC PERFORMANCE ON ART 2. JUDGED FROM GENEVA, IT WOULD APPEAR THAT SUCH AN APPROACH NOW COULD BE COUNTER-PRODUCTIVE AND SHOULD BE DEFERRED AT LEAST UNTIL AFTER EC'S PROGRESS REPORT TO TSB ON JUNE 30. USEC BRUSSELS MAY WISH COMMENT ON FOREGOING VIEW.

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STR-04 TAR-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00

OMB-01 AF-06 ARA-06 OIC-02 /130 W

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P 061720Z MAY 75

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TO SECSTATE WASHDC PRIORITY 2674

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BUCHAREST PASS MICHAEL SMITH - TEXTILE NEGOTIATING TEAM

6. JAPANESE, AS RESULT EC BILATERAL NEGOTIATING EFFORT, RAISED IN TSB A DIFFERENT PROBLEM IN INTERPRETATION ART 2, PARA 2. EC IS TRYING NEGOTIATE ART 4 BILATERAL WITH JAPAN UNDER ART 2 PARA 2(II) AND, APPARENTLY, AT SOME STAGE HAD ARGUED WITH JAPANESE THAT ART 4 LIMITED OFFICIAL USE

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BILATERAL WAS ONLY OPTION OPEN IN EXTENDED TIME PERIOD (PARA 2(II)). ALSO IN EC'S ART 2 PARA 4 NOTIFICATION, JAPAN WAS LIST-ED AMONG ART 4 BILATERALS TO BE NEGOTIATED IN EXTENDED PERIOD. JAPANESE DO NOT WISH NEGOTIATE ART 4 WITH EC SINCE THEIR TEXTILE EXPORTS TO EC ARE EXCEEDED 2.5 TIMES BY EC TEXTILE EXPORTS TO JAPAN. JAPANESE INDUSTRY, UNDERSTANDABLY, VIGOROUSLY OPPOSING ART 4 WITH EC. JAPAN WOULD PREFER: A. TERMINATION EC RESTRAINTS, B. PHASED ELIMINATION (PARA 2(I)) OR ART 3; IN THAT ORDER. JAPAN ASKED TSB FOR INTERPRETATION ART. 2, PARA 2 WHICH WOULD SANCTION USE ANY OF FOUR OPTIONS IN THE ONE YEAR EXTENSION PERIOD. AFTER MANY HOURS PRO AND CON DEBATE HAD DEMONSTRATED CONSENSUS IMPOSSIBLE ON MAK-

ING ALL OPTIONS AVAILABLE IN EXTENSION PERIOD, TSB FINALLY AGREED THAT "ART 4 BILATERALS WERE NOT ONLY OPTION AVAILABLE TO PARTICIPANTS IN EXTENDED PERIOD." DEVELOPING EXPORTING COUNTRY REPS WHO WISHED EXCLUDE PROVISION PARA 2(I) AS OPTION IN EXTENDED PERIOD COULD TAKE POSITION THAT THIS LANGUAGE REFERRED TO ART 3 OPTION IN PARA 2 (III), JAPAN COULD READ IT AS ALL OPTIONS, EC, OBVIOUSLY, COULD READ IT AS SANCTIONING ART 4 BILATERALS WHICH IT DOES. THUS, BASIC ISSUE RAISED BY JAPANESE WAS (WITH EC CONCURRENCE) SWEEPED UNDER RUG AT LEAST UNTIL JAPANESE-EC BILATERAL NEGOTIATIONS REACH SHOW-DOWN STAGE.

7. DISCUSSION SPANISH CASE TOOK GREATER PART ONE DAY. SPANISH APPEARED WITH THIRTEEN-MAN DELEGATION FROM MADRID AND MADE TWO-HOUR PRESENTATION. SPANDEL SPENT MOST OF TIME ARGUING THAT UNILATERAL RESTRAINTS WERE JUSTIFIED UNDER THE GATT ON BALANCE OF PAYMENTS GROUNDS. AFTER VARIOUS MEMBERS TSB POINTED OUT: A. THAT LAST GATT BOP COMMITTEE RULING (1973) HAD FOUND SPAIN NO LONGER JUSTIFIED IN MAINTAINING RESTRAINTS FOR BOP REASONS; B. THAT THIS FINDING HAD NOT BEEN CHANGED BY (ADMITTEDLY) AMBIGUOUS DISCUSSION BOP COMMITTEE REPORT IN GATT COUNCIL IN 1974; AND C. TSB NOT COMPETENT NOR AUTHORIZED UNDER MFA TO ASSESS BOP JUSTIFICATION. SPANDEL THEN EXPLAINED IN EXHAUSTIVE DETAIL, PARLOUS STATE OF SPAIN'S TEXTILE INDUSTRY. SUPERFICIAL INSPECTION OF INDICATORS OFFERED LED MOST TSB MEMBERS CONCLUDE THAT SPANISH INDUSTRY NO WORSE OFF THAN MOST PARTICIPANT COUNTRY INDUSTRIES IN CURRENT RECESSION AND BETTER OFF THAN SOME. IN MAKING THEIR PRESENTATION, SPANDEL ASSERTED SEVERAL TIMES THAT SPAIN WANTED BRING ITS RESTRAINTS INTO CONFORMITY WITH MFA, WAS PLANNING CONSULT WITH TRADING PARTNERS IN FUTURE TO THIS END

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BUT NEEDED TIME. DEL COULD NOT STATE HOW SPAIN WOULD DO THIS OR HOW MUCH TIME WAS REQUIRED. WITH MATTERS AT IMPASSE AND SPANDEL UNAWARE OF TSB PREOCCUPATION WITH EC AND ART 2, US REP APPROACHED SPANDEL AT RECESS AND ASSURED THEM THAT TSB NOT TRYING PERSECUTE SPAIN, EXPLAINED TSB CURRENT FIXATION ON ART 2, SUGGESTED THAT IF SPAIN COULD ASK TSB FOR MORE TIME UNDER PROVISIONS ART 2 PARA 2(II) AND COUPLE REQUEST FOR TIME WITH ASSURANCE THAT CONSULTATIONS WITH TRADING PARTNERS WOULD BEGIN AT ONCE, US REP FELT SURE TSB WOULD BE SYMPATHETIC. AFTER CONSULTATION WITHIN DELEGATION, SPANDEL MADE REQUEST, EXTENDED ASSURANCES ON CONSULTATIONS AND TSB CONCURRED IN REQUEST WITH PROVISIO THAT SPAIN REPORT PROGRESS ON JUNE 30 AND THEREAFTER AS REQUESTED BY TSB. HAD IMPRESSION SPANDEL WHILE NOT WILDLY HAPPY WITH OUTCOME, FELT IT BEST POSSIBLE IN CIRCUMSTANCES.

8. DISCUSSION OF INDIVIDUAL NOTIFICATIONS UNDER ART 2 PARA 4 WAS ANTICLIMAX AFTER PRIOR HEATED DEBATE ON ART 2 "PRINCIPLES". TSB APPROVED AS APPROPRIATE NOTIFICATIONS OF AUSTRIA, INDIA, JAPAN, HONG KONG, EGYPT AND U.S. U.S. NOTIFICATION AND REQUEST FOR EXTENSION TIME WAS UNANIMOUSLY APPROVED WITHOUT QUESTION OR COMMENT. EC NOTIFICATION WAS SUBJECTED TO LARGE NUMBER QUESTIONS BOTH AS TO PLANNED NEGOTIATIONS AND, PARTICULARLY, THE PROGRAM FOR PROGRESSIVE ELIMINATION OF RESTRAINTS NOT SUBJECT PROJECTED NEGOTIATIONS. EC REP DECLINED ANSWER QUESTIONS AT MEETING, PREFERRING TO ANSWER IN WRITING. IN THIS SITUATION, TSB HAD NO ALTERNATIVE BUT TO CONTINUE DISCUSSION OF EC NOTIFICATION UNTIL NEXT SESSION.

9. COPY APPROVED "INDICATIVE CHECK LIST" AIRPOUCHED FTD UNDER REFERENCE THIS MESSAGE.ABRAMS

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Message Attributes

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